

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) June 2, 2005

Ciena Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-21969

23-2725311

(Commission File Number)

(IRS Employer Identification No.)

1201 Winterson Road, Linthicum, MD

21090

(Address of Principal Executive Offices)

(Zip Code)

(410) 865-8500

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 - RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On June 2, 2005, Ciena Corporation issued a press release announcing its financial results for the second quarter ended April 30, 2005. The text of the press release is furnished as Exhibit 99.1 to this Report. The information in this Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended.

ITEM 9.01 - FINANCIAL STATEMENTS AND EXHIBITS

(c) The following exhibit is being filed herewith:

Exhibit Number	Description of Document
Exhibit 99.1	Text of Press Release dated June 2, 2005, issued by Ciena Corporation, reporting its results of operations for the



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ciena Corporation

Date: June 2, 2005

By: /S/ Russell B. Stevenson, Jr.

-----  
Russell B. Stevenson, Jr.  
Senior Vice President, General Counsel  
and Secretary

## Ciena Reports Fiscal Second Quarter 2005 Results

LINTHICUM, Md.--(BUSINESS WIRE)--June 2, 2005--Ciena(R) Corporation (NASDAQ:CIEN), the network specialist, today reported its fiscal second quarter 2005 results for the period ending April 30, 2005. Revenue for the second quarter totaled \$103.8 million, representing a 9.6% sequential increase, and an increase of 39.0% over the same period a year ago.

On the basis of generally accepted accounting principles (GAAP), Ciena's reported net loss for the fiscal second quarter was \$74.8 million, or a net loss of \$0.13 per share. This loss compares to a GAAP net loss of \$76.2 million, or a net loss of \$0.16 per share, in the same period a year ago. For the six-month period ended April 30, 2005, Ciena's reported GAAP net loss was \$131.8 million, or a net loss of \$0.23 per share. This loss compares to a GAAP net loss of \$152.9 million, or a net loss of \$0.32 per share, in the same six-month period a year ago.

"Ciena's application-driven, network specialist approach enables us to differentiate ourselves in an often crowded market, and is clearly resonating with our customers," said Gary Smith, Ciena's president and CEO. "With our fifth sequential quarter of solid revenue growth, we are growing faster than the market and beginning to take share on a global basis. In addition to strong revenue growth, we continue to improve other important financial metrics, including delivering gross margin improvement and reducing our use of cash in our fiscal second quarter."

## Second Quarter 2005 Highlights

- Delivered sequential revenue growth of 9.6% and year-over-year revenue growth of 39.0%.
- Improved overall gross margin from 25.6% in the fiscal first quarter to 26.2% in the fiscal second quarter.
- Announced that BT had selected Ciena as a preferred supplier to support its 21st Century Network (21CN), including Ciena's optical switching, optical transport and Ethernet transport platforms.
- For the second consecutive year, Ciena was honored by SBC Communications as an "Outstanding Supplier."
- Ciena expanded its strategic relationship with TELMEX and announced that its CoreDirector(R) multiservice switching system had been selected for Telefonos de Mexico's nationwide long-distance network and that new Ethernet modules will be added to existing CoreDirectors in TELMEX's Mexico City metro area network.
- Reduced cash burn from operations by 15.5% sequentially, from \$43.3 million in the fiscal first quarter of 2005 to \$36.6 million in the fiscal second quarter 2005.
- Ended the fiscal second quarter 2005 with cash and short- and long-term investments valued at \$1.19 billion.

## Non-GAAP Presentation of Quarterly Results

In evaluating the operating performance of its business, Ciena's management excludes certain charges or credits that are required by GAAP. These items, which are identified in the tables that follow, share one or more of the following characteristics: they are unusual, and Ciena does not expect them to recur in the ordinary course of its business; they do not involve the expenditure of cash; they are unrelated to the ongoing operation of the business in the ordinary course; or their magnitude and timing is largely outside of the Company's control.

Item	Quarter Ended April 30, 2004	Quarter Ended April 30, 2005
(in thousands)	(in thousands)	(in thousands)
Stock compensation costs	\$ 1,902	\$ 3,481
Amortization of intangible assets	3,395	10,204

Restructuring costs	5,185	9,765
Long-lived asset impairment	-	(25)
Recovery of use tax payments	(1,931)	-
Recovery of doubtful accounts, net	(2,794)	-
Loss (gain) on equity investments, net	(139)	7,300
Income tax benefit on adjusted net loss	24,979	15,723
	=====	=====
Total Adjustments	\$ 30,597	\$ 46,448
	=====	=====
GAAP Net Loss	\$ (76,216)	\$ (74,807)
Adjustment for items above	30,597	46,448
	-----	-----
Non-GAAP Net Loss	\$ (45,619)	\$ (28,359)
	=====	=====

Please see Appendix A for additional information about this table.

As of the quarter ended April 30, 2005, Ciena's weighted average shares outstanding were approximately 573,569,000. Adjusting Ciena's quarterly GAAP results as noted above would reduce the Company's net loss in its fiscal second quarter 2005 to \$28.4 million, or a loss of \$0.05 per share. This compares with an adjusted net loss of \$45.6 million, or a loss of \$0.10 per share, in the same period a year ago.

These adjustments are not in accordance with GAAP, and making these adjustments may not permit meaningful comparisons to other companies.

#### Business Outlook

"We expect continued revenue growth, improving gross margin and lower operating expenses will combine to drive meaningful improvement in Ciena's financial performance over the balance of 2005," said Smith. "In addition to our expectations of five percent sequential revenue growth in our fiscal third quarter, we also expect product mix and ongoing cost reduction efforts to drive meaningful gross margin improvement for the second half of our fiscal year."

#### Live Web Broadcast of Fiscal Second Quarter Results

Ciena will host a discussion of its fiscal second quarter results with investors and financial analysts today, Thursday, June 2, 2005 at 8:30 a.m. (Eastern). The live broadcast of the discussion will be available via Ciena's homepage at [www.ciena.com](http://www.ciena.com). An archived version of the discussion will be available shortly following the conclusion of the live broadcast on the Investor Relations page of Ciena's Web site at: <http://www.ciena.com/investors/investors.htm>.

#### NOTE TO INVESTORS

This press release contains certain forward-looking statements based on current expectations, forecasts and assumptions that involve risks and uncertainties. These statements are based on information available to the Company as of the date hereof; and Ciena's actual results could differ materially from those stated or implied, due to risks and uncertainties associated with its business, which include the risk factors disclosed in its Report on Form 10-Q filed with the Securities and Exchange Commission on June 2, 2005. Forward-looking statements include statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. Forward-looking statements in this release include: we expect continued revenue growth, improving gross margin and lower operating expenses will combine to drive meaningful improvement in Ciena's financial performance over the balance of 2005; and in addition to our expectations of five percent sequential revenue growth in our fiscal third quarter, we also expect product mix and ongoing cost reduction efforts to drive meaningful gross margin improvement for the second half of our fiscal year. Ciena assumes no obligation to update the information included in this press release, whether as a result of new information, future events or otherwise.

CIENA CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)  
(unaudited)

ASSETS

October 31, April 30,

	2004	2005
Current assets:		
Cash and cash equivalents	\$202,623	\$255,822
Short-term investments	753,251	682,766
Accounts receivable, net	45,878	66,482
Inventories, net	47,614	45,489
Prepaid expenses and other	29,906	33,740
Total current assets	1,079,272	1,084,299
Long-term investments	329,704	251,951
Equipment, furniture and fixtures, net	51,252	41,019
Goodwill	408,615	408,615
Other intangible assets, net	208,015	185,466
Other long-term assets	60,196	49,015
Total assets	\$2,137,054	\$2,020,365

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$31,509	\$36,441
Accrued liabilities	76,045	76,732
Restructuring liabilities	16,203	15,638
Unfavorable lease commitments	9,902	9,640
Income taxes payable	3,354	4,169
Deferred revenue	21,566	32,144
Total current liabilities	158,579	174,764
Long-term deferred revenue	16,010	14,446
Long-term restructuring liabilities	65,180	63,002
Long-term unfavorable lease commitments	51,341	46,293
Other long-term obligations	1,522	1,321
Convertible notes payable	690,000	690,000
Total liabilities	982,632	989,826
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	-	-
Common stock - par value \$0.01; 980,000,000 shares authorized; 571,656,659 and 575,511,943 shares issued and outstanding as of October 31, 2004 and April 30, 2005, respectively	5,717	5,755
Additional paid-in capital	5,482,175	5,485,257
Deferred stock compensation	(13,761)	(6,554)
Notes receivable from stockholders	(48)	-
Changes in unrealized gains on investments, net	(2,488)	(4,940)
Translation adjustment	(277)	(281)
Accumulated deficit	(4,316,896)	(4,448,698)
Total stockholders' equity	1,154,422	1,030,539
Total liabilities and stockholders' equity	\$2,137,054	\$2,020,365

#### CIENA CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data) (unaudited)

	Quarter Ended April 30,		Six Months Ended April 30,	
	2004	2005	2004	2005
Revenues:				
Products	\$62,422	\$91,618	\$117,096	\$173,918
Services	12,277	12,228	24,017	24,676
Total revenue	74,699	103,846	141,113	198,594
Costs:				
Products	56,289	65,843	90,849	126,691

Services	10,188	10,837	21,489	20,506
Total cost of goods sold	66,477	76,680	112,338	147,197
Gross profit	8,222	27,166	28,775	51,397
Operating expenses				
Research and development	46,479	34,766	93,656	68,417
Selling and marketing	25,075	27,201	50,543	53,165
General and administrative	5,992	8,702	13,083	16,198
Stock compensation costs				
Research and development	1,408	842	3,613	1,853
Selling and marketing	415	2,447	933	3,323
General and administrative	79	192	200	352
Amortization of intangible assets	3,395	10,204	6,791	20,615
Restructuring costs	5,185	9,765	8,578	10,890
Long-lived asset impairments	-	(25)	-	159
Recovery of use tax payments	(1,931)	-	(1,931)	-
Recovery of doubtful accounts, net	(2,794)	-	(2,794)	-
Total operating expenses	83,303	94,094	172,672	174,972
Loss from operations	(75,081)	(66,928)	(143,897)	(123,575)
Interest and other income, net	5,614	6,346	13,292	13,022
Interest expense	(6,473)	(6,473)	(13,857)	(12,942)
Gain (loss) on equity investments, net	139	(7,300)	593	(7,278)
Loss on extinguishment of debt	-	-	(8,216)	-
Loss before income taxes	(75,801)	(74,355)	(152,085)	(130,773)
Provision for income taxes	415	452	839	1,029
Net loss	<u>\$(76,216)</u>	<u>\$(74,807)</u>	<u>\$(152,924)</u>	<u>\$(131,802)</u>
Basic and diluted net loss per common share and dilutive potential common share	<u>\$(0.16)</u>	<u>\$(0.13)</u>	<u>\$(0.32)</u>	<u>\$(0.23)</u>
Weighted average basic common and dilutive potential common shares outstanding	<u>475,189</u>	<u>573,569</u>	<u>474,192</u>	<u>572,674</u>

CIENA CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Six Months Ended April 30,	
	2004	2005
Cash flows from operating activities:		
Net loss	\$(152,924)	\$(131,802)
Adjustments to reconcile net loss to net cash used in operating activities:		
Early extinguishment of debt	8,216	-
Amortization of premium on marketable securities	15,868	9,265
Non-cash impairment of long-lived assets	-	159
Non-cash loss on equity investments	-	7,278
Accretion of convertible notes payable	599	-
Depreciation and amortization of leasehold		

improvements	27,639	16,292
Stock compensation	4,746	5,528
Amortization of intangibles	8,726	22,549
Provision of doubtful accounts	284	-
Provision for inventory excess and obsolescence	1,082	2,695
Provision for warranty and other contractual obligations	4,996	5,802
Other	1,537	1,510
Changes in assets and liabilities:		
Accounts receivable	4,723	(20,604)
Inventories	9,456	(570)
Prepaid expenses and other	(7,208)	598
Accounts payable and accrued liabilities	(32,195)	(8,437)
Income taxes payable	956	815
Deferred revenue and other obligations	4,317	9,014
Net cash used in operating activities	(99,182)	(79,908)
Cash flows from investing activities:		
Additions to equipment, furniture, fixtures and intellectual property	(13,646)	(6,457)
Proceeds from sale of equipment, furniture and fixtures	-	239
Purchases of available for sale securities	(333,524)	(316,529)
Maturities of available for sale securities	389,877	453,050
Minority equity investments, net	-	(2,043)
Net cash provided by investing activities	42,707	128,260
Cash flows from financing activities:		
Net proceeds from other obligations	46	-
Repayment of convertible notes payable	(49,243)	-
Proceeds from issuance of common stock	14,152	4,799
Repayment of notes receivable from stockholders	-	48
Net cash used in financing activities	(35,045)	4,847
Net increase in cash and cash equivalents	(91,520)	53,199
Cash and cash equivalents at beginning of period	309,665	202,623
Cash and cash equivalents at end of period	\$218,145	\$255,822

#### Appendix A

The adjustments management makes in analyzing Ciena's fiscal second quarter 2005 GAAP results are as follows:

- Stock compensation costs - a non-cash expense which arises under GAAP accounting from the assumption of unvested stock options issued by any companies we acquire and which the Company feels is not reflective of its ongoing operating costs.
- Amortization of intangible assets - a non-cash expense arising from acquisitions of intangible assets, principally developed technology, which Ciena is required to amortize over its expected useful life and which the Company feels is not reflective of its ongoing operating costs.
- Restructuring costs - non-recurring charges incurred as the result of reducing the size of the Company's operations to align its resources with the reduced size of the telecommunications market as well as the result of targeting new segment opportunities within the overall market, which the Company feels are not reflective of its ongoing operating costs.
- Long-lived asset impairments - non-recurring charges, incurred as a result of excess equipment classified as held for sale which the Company feels are not reflective of its ongoing operating costs.
- Recovery of use tax payments - a non-recurring gain unrelated to normal operations
- Recovery of doubtful accounts, net - a non-recurring gain unrelated to normal operations due to payment received from a customer from which payment was previously deemed doubtful due to the customer's financial condition.

- Loss (gain) on equity investments, net - a non-recurring gain or loss related to changes in the value of the Company's equity investments which the Company feels is not reflective of its ongoing operating costs.
- Income tax benefit on adjusted net loss - the income tax charge or benefit on the adjusted net loss, which is a necessary adjustment for consistency. The Company currently has a full valuation allowance for GAAP reporting purposes and accordingly does not recognize a tax benefit for losses generated.

#### About Ciena

Ciena Corporation is the network specialist, focused on expanding the possibilities for its customers' networks while reducing their cost of ownership. The Company's systems, software and services target and cure specific network pain points so that telcos, cable operators, governments and enterprises can best exploit the new applications that are driving their businesses forward. For more information, visit [www.ciena.com](http://www.ciena.com).

CONTACT: Ciena Corporation  
Press Contact:  
Nicole Anderson, 877-857-7377  
[pr@ciena.com](mailto:pr@ciena.com)  
or  
Investor Contact:  
Jessica Towns, 888-243-6223  
[ir@ciena.com](mailto:ir@ciena.com)